

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 7/22/2015

GAIN Report Number: SP1518

Spain

Post: Madrid

Portuguese Packaged Food and Grocery Retail Sector

Report Categories:

Retail Foods

Approved By:

Rachel Bickford,
Agricultural Attaché

Prepared By:

Maria Victoria Iglesias,
International Intern

Report Highlights:

Consumer budget cuts have negatively impacted various areas of the food industry, such as packaged foods. Due to lower household incomes, consumers have taken to preparing their meals at home, only going to a restaurant for special occasions. While consumers seek lower prices, they are also looking for food quality, especially fresh products. Budget cuts have also led consumers to seek grocery outlets and discount stores near their home in order to avoid spending time and money on unnecessary items.

However, while the general situation in Portugal remains challenging, consumer confidence continues to increase as Portugal recovers from its financial crisis.

Table of Contents

SECTION I. MARKET SUMMARY	3
Packaged Food	4
Impulse and Indulgence Products.....	5
Meal Solutions.....	6
Nutrition/Staples.....	7
Trade.....	8
SECTION II ROAD MAP FOR MARKET ENTRY	10
Food Standards and Regulations	11
Import and Inspection Procedures	11
Sector Trends.....	12
SECTOR III GROCERY RETAIL SECTOR.....	13
Traditional vs Modern.....	14
SECTION V BEST PRODUCT PROSPECTS.....	17
SECTION VI BEST PRODUCT PROSPECTS	20
SECTION VII PORTUGUESE ECONOMIC POLICY.....	21
SECTION VIII CONCLUDING REMARKS	21
SECTION IX POST CONTACT AND FURTHER INFORMATION	22

Table

Table 1:Portuguese Real GDP, Consumer Prices, Current Account Balance, and Unemployment.3

Table 2: Advantages and Challenges facing U.S. products in Portugal.....10

Figure

Figure 1: Packaged Food Sales: Volume 2009-2014 in Thousands of Tons4

Figure 2: Sales of Impulse and Indulgence Products: Value in Hundred Million US Dollars 2009-2014.5

Figure 3: Sales of Meal Solutions by Category: Value 2009-2014 Hundred Million US Dollars (2009-2014)..... 6

Figure 4: Sales of Nutrition/Staples by Category in Hundred Million US Dollars 2009-2014 8

Figure 5: Quantity of Total Portuguese Food Imports: YE Dec 2009-2014 (Million Tons) 8

Figure 6: Main Import Origins of Agricultural Products (Millions of US Dollars)..... 9

Note

Exchange Rate

At the time this report was written the following exchange rate was used:

Year 2015: 1 Euro= 1.22 Dollars

SECTION I. MARKET SUMMARY

Consumer confidence after Portugal's recent financial crisis has recovered considerably since 2011-12, allowing for an increase in consumer expenditures. However, consumer confidence has a long road to travel before reaching its early 2000s level, with the general situation in Portugal expected to remain challenging and consumers facing consistent financial pressure. Nevertheless, consumer confidence continues to increase as unemployment rates are forecast to decrease in the following years (Table 1).

Consumer budget cuts have negatively impacted various areas of the food industry, such as packaged foods. Due to lower household incomes, consumers have taken to preparing their meals at home, only going to a restaurant for special occasions. While consumers seek lower prices, they are also looking for food quality, especially fresh products. Increased concerns about health and wellness have affected areas such as impulse and indulgence products and meal solutions.

Budget cuts have also led consumers to seek grocery outlets and discount stores near their home in order to avoid spending time and money going to a hypermarket. Working families that have little time to grocery shop, seek outlets not only for their convenience, but because it keeps them from spending on unnecessary items. Online grocery shopping has also increased due to a growing number of women in the work force, as well as the greater use of smartphones and tablets.

The continued economic challenge in Portugal has provided an opportunity for companies to innovate their product portfolio as there is greater competition than in previous years. Packaging has become very important for consumers as they wish to have the products they buy remain fresh for a longer period of time. Transparency in nutrition information will also be of significant importance as food intolerance continues to grow in the Portuguese population.

Table 1 summarizes the main macroeconomic variables as projected by the International Monetary Fund (IMF) in its World Economic Outlook.

Table 1: Portuguese Real GDP, Consumer Prices, Current Account Balance, and Unemployment

	2014	Projections	
		2015	2016
Real GDP Growth ¹ (%)	0.9	1.6	1.5
Consumer Prices ² (%)	-0.2	0.6	1.3
Current Account Balance(%)	0.6	1.4	1.0
Unemployment ³ (%)	13.9	13.1	12.6

¹Movements in consumer prices are shown as annual averages.

²Percent of GDP

³National definition of unemployment may differ

*International Monetary Fund (Apr. 2015) Country and Regional Perspectives

Packaged Food

Key Trend and Developments

Current value growth for Portuguese packaged food has begun to increase following several years of negative growth (Figure 1). In the near collapse of the Portuguese economy during the country's economic crisis, the packaged food industry went through a period of intense volatility and uncertainty.

Facing uncertainty and a tighter budget, consumers began to reduce spending as a means of cutting costs.

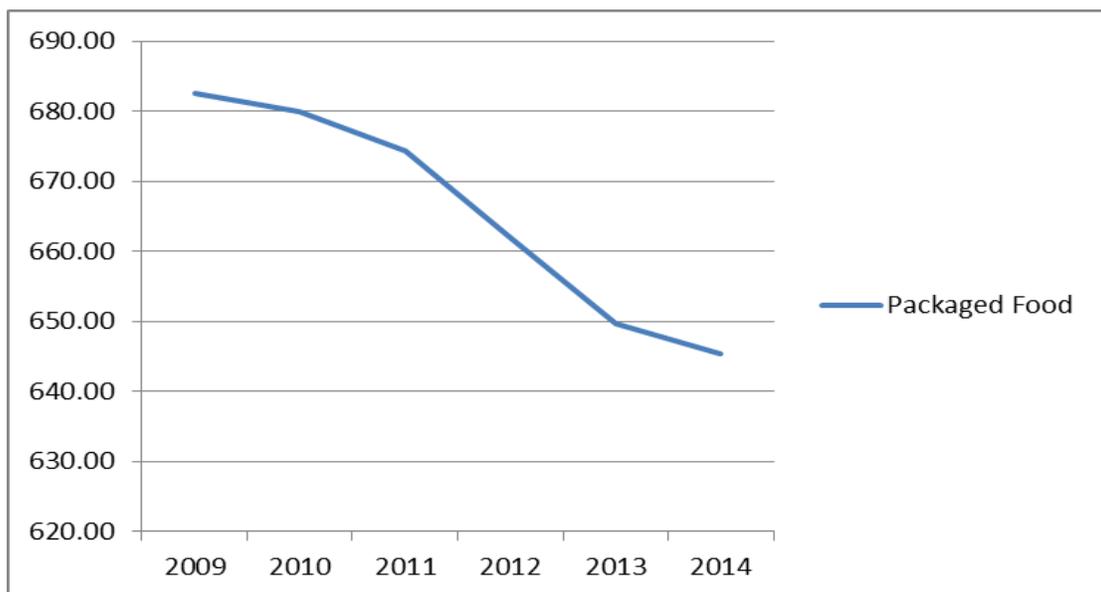
Retail distribution of packaged food has been significantly influenced by the changes in consumer habits during the Portuguese economic crisis. As a means of saving money and cutting costs, consumers prefer low unit prices. There has also been an increase in consumers who have less time to go to the grocery store due to work hours. Smaller retail outlets have become more popular for consumers who have less time to do grocery shopping. This trend has been positive for supermarkets and for internet retailers.

Consumer budget cut has negatively impacted the consumer food service in particular, with consumers cooking more at home and preparing meals for the weekday. The increase in home cooking has also caused a growth in popularity of home-cooking shows, which have contributed to the promotion of fresh produce. The increased popularity of fresh foods has negatively impacted frozen processed food as well as canned/preserved food. On the other hands, chilled soups saw an increase in sales.

With the general situation in Portugal expected to remain challenging and consumers facing consistent financial pressure, most packaged food categories are not expected to have significant value growth.

Nevertheless, consumer confidence is set to gradually improve over the course of the forecast period, which could lead to a slow but steady recovery for packaged foods.

Figure 1: Packaged Food Sales: Volume 2009-2014 in Thousands of Tons



Source: Euromonitor

Impulse and Indulgence Products

Key Trends & Development

Impulse and indulgence products increased in current value by 1 percent, rising to about \$1,750 million. Given the economic crises, Portuguese consumers began purchasing more products which provide instant pleasure and satisfaction. Sweet and savory snacks performed the best in the impulse and indulgence category, with an increase in current value of 3 percent (Figure 2). The increase in sweet and savory snacks is due to people entertaining more at home, as well as wanting to forget their troubles, viewing these snacks as treats.

Modern grocery retailers continue to account for the highest proportion of impulse and indulgence products, while independent small grocers have decline in this sector due to being more expensive.

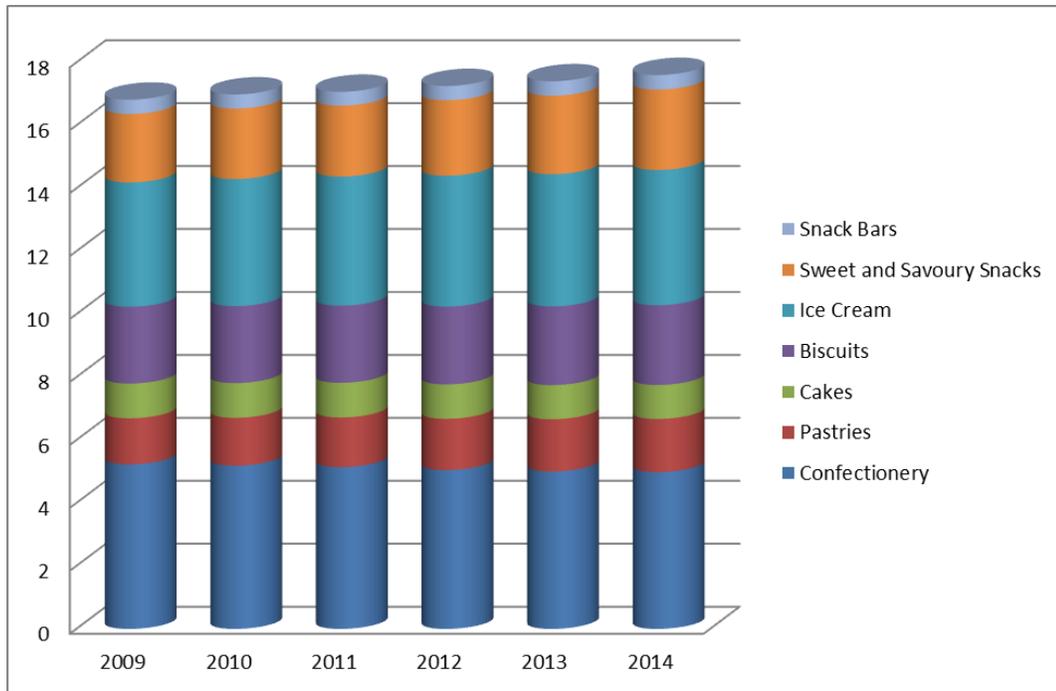
Packaging of impulse and indulgence foods has become very important for consumers since they are looking for packages that are easy to use and seal, allowing them contain the freshness of the product for a longer period of time.

However, the increased health concerns and desire for fresh food products by Portuguese consumers may hinder impulse and indulgence sales. Snacks that have a more natural image, such as fresh cut fruit or fruit snacks, may increase in popularity among consumers. An increase in Value Added Taxes (VAT) can also cause an increase in unit prices, pushing grocery retailers to either demand suppliers to maintain prices, or reinforce price promotion strategies to balance the VAT effects.

Figure 2: Sales of Impulse and Indulgence Products: Value in Hundred Million US Dollars 2009-2014

Source:
Euromonitor

**Meal
Solutions**
*Key
Trends &*



Developments

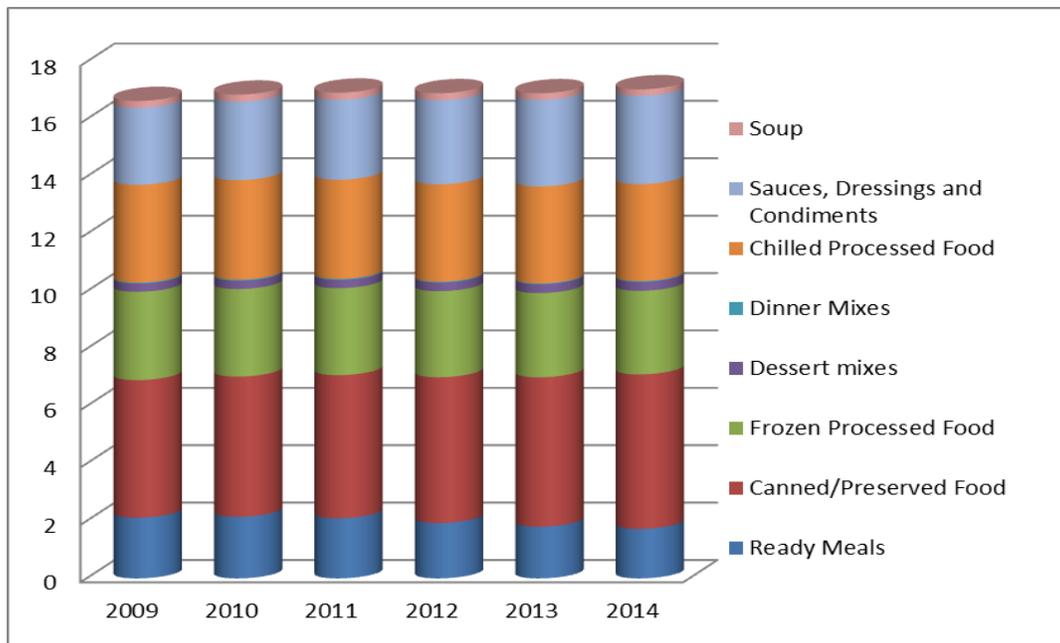
The meal solution sector improved in current value by 1 percent, to around \$1,700 million. The overall increase in unit price by 3 percent of meal solutions attributes to the positive growth in current value.

However, the amplified interest in chilled or fresh alternatives for meal solutions has rendered meal solutions as progressively being seen as unhealthy. Dessert mixes have registered the strongest growth in meal solutions, while canned/preserved food has also grown in value (Figure 3).

Supermarkets, hypermarkets, and discount stores dominated the retail distribution of meal solutions in Portugal. Mainstream modern grocery retailers outlets provide high exposure for meal solutions and support the category's positive growth, capturing a high proportion of sales in the category through their attractive private label ranges.

While convenience is being sought after by consumers, there is a continued emphasis on healthy diets or the quality of their food. There is an expected shift towards greater transparency in product nutrition information and packaging. An increase in organic private label meal solutions available in Portugal shows that private labels are becoming increasingly advanced and sophisticated. In order to keep their value share, branded players will need to constantly update their product portfolios with new and innovative products.

Figure 3: Sales of Meal Solutions by Category: Value 2009-2014 Hundred Million US Dollars (2009-2014)



Source:

Euromonitor

Nutrition/Staples

Key Trends & Developments

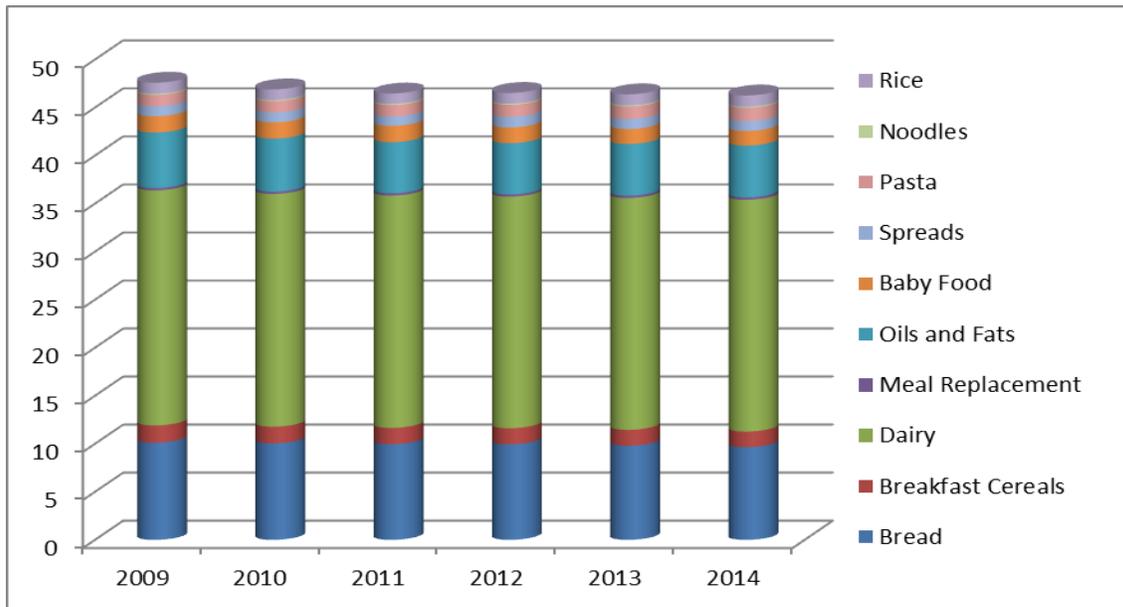
Value sales of nutrition staples declined 1 percent, to about \$4,600 million. Pasta registered the strongest current value growth in nutrition/staples during 2014, increasing in current value by 5 percent. Pasta sales increased due to Portuguese people seeking cheap yet nutritious ingredients for their meals. On the other hand, baby food registered a decline of 3 percent one of the worst performance in nutrition/staples, mainly due to Portuguese people holding off on having children due to the economic crisis (Figure 4).

Supermarkets and hypermarkets remained the leading retail distribution channel for nutrition/staples in Portugal during 2014. This is because these grocery retail distributors are able to provide an increasingly wide range of products, including value-for-money private label products.

Leading manufacturers continued offering products in large packaging size and multi-packs in order to reduce the unit price for end consumers until the end of the review period where three main trends emerged with regards to the packaging of nutrition/staples in Portugal: convenience, including easy opening and resealable packs; single-portion packs; and eye-catching designs. Packaging has become an increasingly important part of the product range.

Overall, nutrition/staples are expected to increase in value by 1 percent in constant 2014 terms over the course of the entire forecast period. Due to the maturity of several nutrition/staples categories, the leading companies operating in this sector are expected to focus on new product developments and mass media advertising campaigns. Health and wellness options in nutrition/staples are expected to become increasingly important with organic and locally-sourced products at the forefront of this trend.

Figure 4: Sales of Nutrition/Staples by Category in Hundred Million US Dollars 2009-2014



Source: Euromonitor

Trade

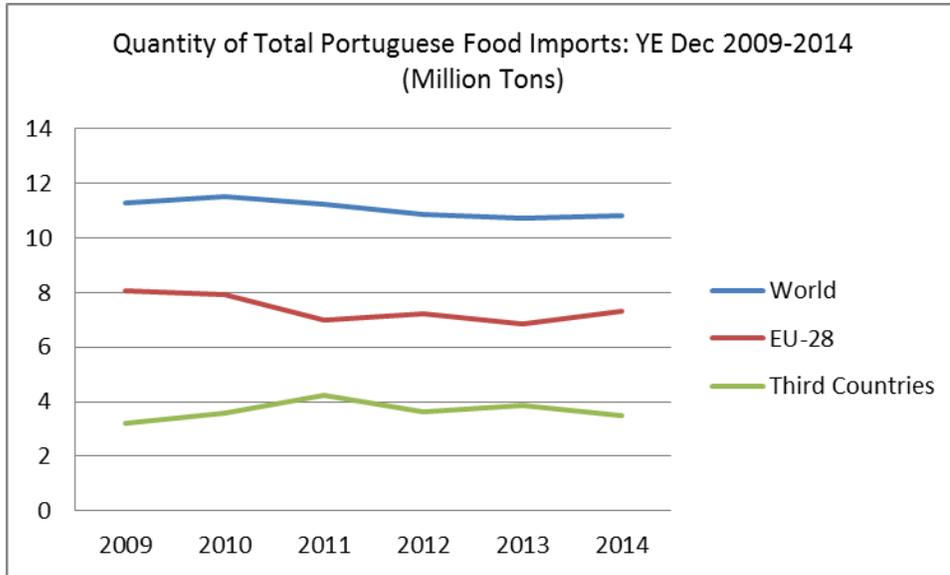
In total food products, Portugal is an importing country. This can be seen by the import of 11 million tons of food products, with 68 percent of those food products coming from EU trading companies.

Portugal's total exports by the end of 2014 were of 4 million tons of food products. The main import origins of Portugal are: Spain, France, Brazil, United States, and Ukraine (Figure 6). Total food products imported from the United States an estimated \$326 million worth of agriculture and related products, with a total of \$18 million coming from consumer oriented products such as tree nuts and processed vegetables.

Portugal's main exports are horticultural products, seafood, wine, dairy products, vegetable oil, and pork. The country's export markets have increased from 36 to 75 since 2011, with a total exporting value of \$7 million. The European Union is the principal export destination for Portuguese products.

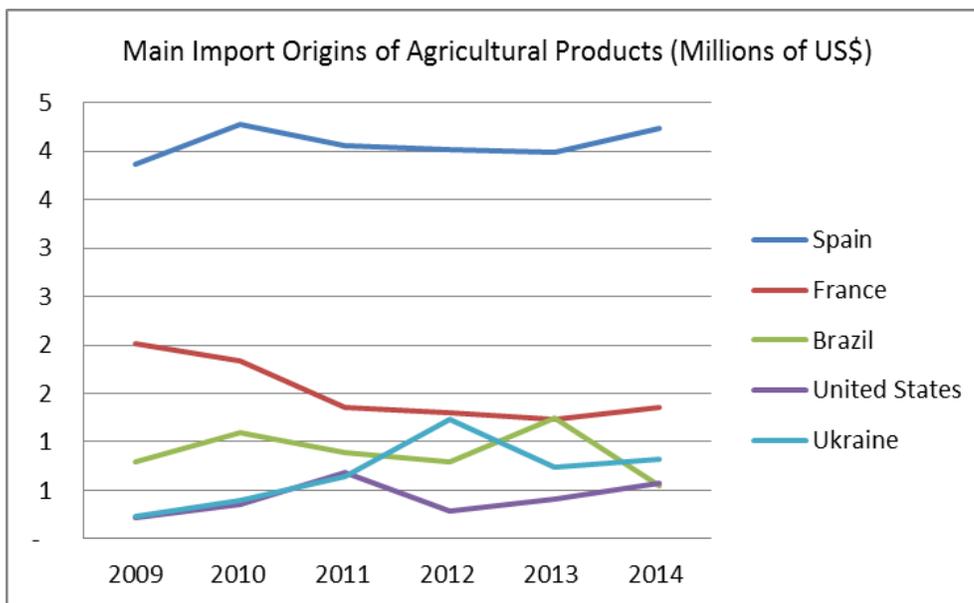
However, Portugal has been looking for new exporting markets, increasing their exports to Turkey by over 300 percent and Nigeria by 270 percent.

Figure 5: Quantity of Total Portuguese Food Imports: YE Dec 2009-2014 (Million Tons)



Source: Global Trade Atlas (GTA)

Figure 6: Main Import Origins of Agricultural Products (Millions of US Dollars)



Source: Global Trade Atlas (GTA)

Portugal’s competitive packaged food sector should be an important target for U.S. food-ingredient exports. The sector is modern and innovative, paying special attention to the quality, safety, and traceability of the food products it produces. Some of the main advantages and challenges faced by U.S. exporters of food ingredients and products are shown in Table 2.

Table 2: Advantages and Challenges facing U.S. products in Portugal

Advantages	Challenges
Portugal is a net importer of food and agricultural products. U.S. food and agricultural products have a good reputation for quality.	U.S. exports face high transportation costs and difficulties in shipping mixed or smaller container loads.
Good network of agents and importers help get products into the market. Portugal is also a good gateway to export to Portuguese speaking countries in Africa.	Importers prefer to take delivery on short notice to avoid storage charges. High marketing costs with advertising, discounts, etc. U.S. suppliers may need to conduct promotion activities.
Portuguese exports of consumer-ready food products are holding and are expected to expand. This is an opportunity for U.S. exports of food ingredients.	Consumer confidence has not been fully restored, and household disposable income is still low. Portuguese consumers are pushing to buy products made with local ingredients as a means of supporting the economy.
Consumers are more health conscious and demand has been growing for fresh food products that are low priced	EU labeling, traceability, and packaging laws and a reluctance to purchase products containing genetically modified ingredients can be a challenge.

SECTION II ROAD MAP FOR MARKET ENTRY

In order to successfully import a product to Portugal, a company must seek local representation and make personal contacts. Seeking local representation creates an advantage because they have more market knowledge, up-to-date information and guidance on business practices and trade laws, sales contacts, and expertise on the developing market. Contacts help the exporter become aware of future contracts, while having an exclusive distributor is also ideal for the exporting company.

English is a widely spoken language in Portugal, allowing meetings with U.S. exporters to be conducted in English. Even though modern sales techniques via email, fax or phone have become more prevalent, many business people still prefer having a personal contact as a means of conducting business.

Large importers and wholesalers have branch sales offices and/or sub-agents or dealers in the principal cities and towns, with main offices concentrated in Porto and Lisbon. Typically, food products are imported by an importer, broker and/or a distributor.

Food Standards and Regulations

U.S. processed food exporters face additional challenges in the Portuguese market because of the EU labeling and traceability regulations. Any product that contains genetically modified ingredients must be labeled so that the consumer can distinguish the product. Since Portuguese consumers are not familiar with genetically modified ingredients, food processors, retailers and the HRI sector may be reluctant to purchase these products.

For more information on food standards and regulations, please consult the Food and Agricultural Import Regulations and Standards Report (FAIRS) and the [FAIRS Export Certificate Report for the EU](#). Also, please check the [U.S. Mission to European Union](#) web page for helpful information on exporting U.S. food and agricultural products into the EU.

Import and Inspection Procedures

Portugal uses the Harmonized Nomenclature and Classification System (HS) and applies import duties according to a maximum and minimum rate schedule. The minimum tariff rate is applied to goods originating in countries entitled to the benefits of most-favored nation treatment (that is members of the World Trade Organization (WTO) and countries with which the EU has signed trade agreements) including the United States. However, the EU has negotiated free-trade agreements, providing in many cases tariff-free access to the European market, which can leave the U.S. exporter at a disadvantage.

The local importer is responsible to the Portuguese Government of imported food products when they enter Portuguese territory. Therefore, the Portuguese agent/importer should guide you through the whole process to market your product in Portugal.

The following documents are required for ocean or air cargo shipments of food products to Portugal:

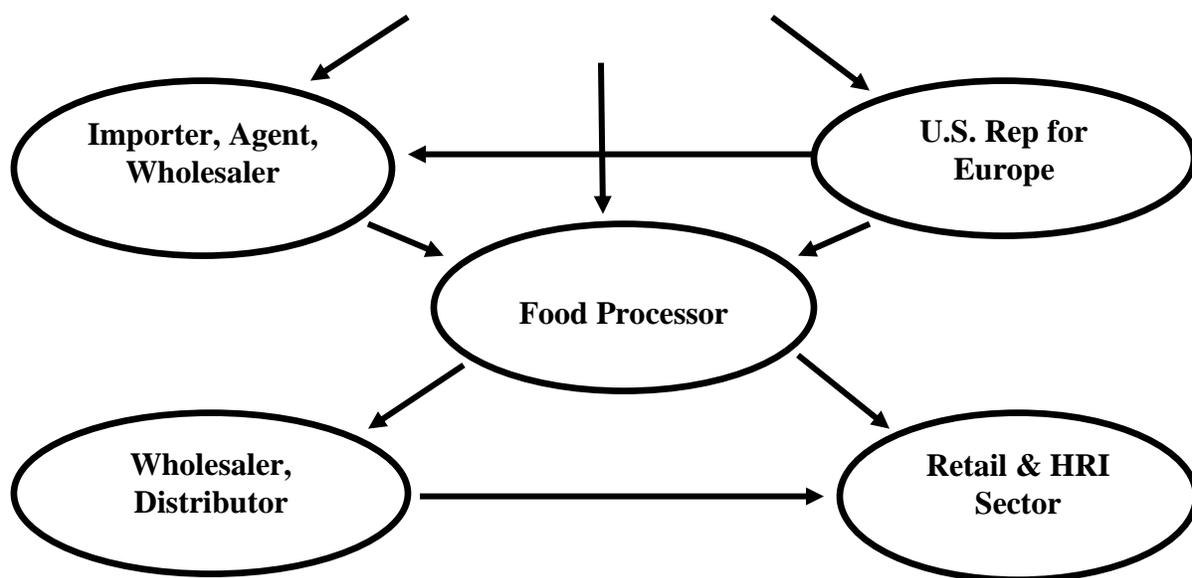
- Bill of Landing and/or Airway Bill
- Commercial Invoice
- Phytosanitary Certificate and/or Health Certificate when applicable
- Import Certificate

Most food products require an Import Certificate issued by the competent Portuguese authority.

However, the Import Certificate is obtained by the Portuguese importer and/or the agent involved in the business and is intended for tariff classification purposes. Keep in mind that if the product you are exporting into Portugal does not comply with EU harmonized regulations, Portuguese customs or health authorities may not allow entry of the product.

Figure 7: Market Structure





Sector Trends

Economic analysts have stated that effects of current structural reforms and budgetary measures will have a meaningful impact at least by 2016. Until then, consumer spending will continue to be guarded, and it is not expected to go back to the boom of the early 2000s. However, an increase in consumption will mean improved business, more investments, and eventually more hiring.

However, the future for brand name products may not be as positive as consumers may begin buying products based on their quality not due to brand loyalty. Brand name products will engage in a strong competition with private labels as innovation and quality will not be enough to continue their growth. Both will have to find a unique factor that distinguishes them and draws customers to purchase their product.

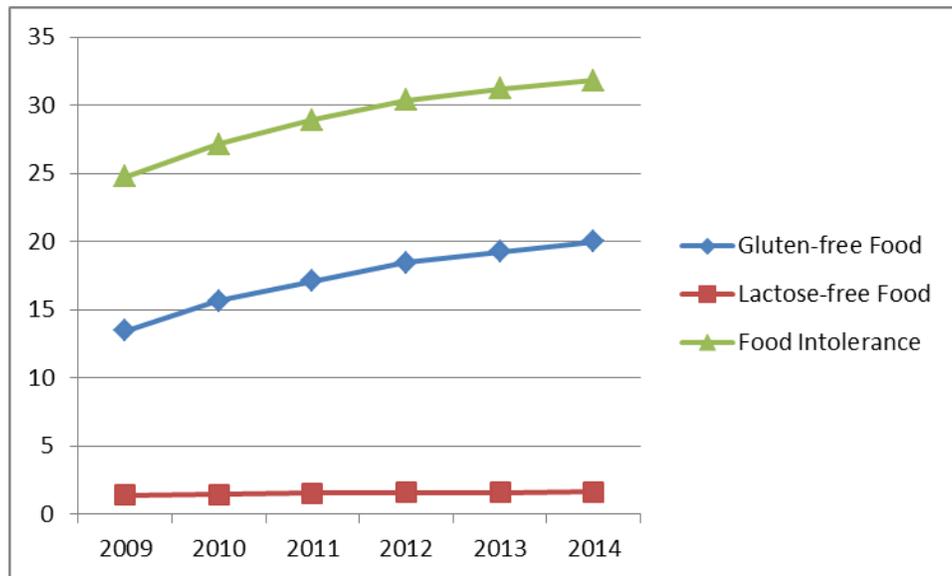
The growing demand for healthier and fresher foods is expected to help increase sales of chilled soups. Chilled processed fish and seafood is also expected to increase as well due to their value-added and easy preparation.

A visible trend is the preference to purchase domestically produced packaged foods because consumers believe they are helping alleviate the unemployment rate, as well as benefiting the local and regional economy. This will benefit companies that have a long tradition in the packaged food industry, allowing them to obtain shelf space more easily. Domestic companies will begin to appeal more to the consumer by focusing on local provenance in their marketing strategies and advertising campaigns.

A. Food Intolerance

Food intolerance such as gluten-free or lactose-free, among others, has increased to \$32 million in Portugal. Rising consumer awareness, especially in gluten-free diets, ensures increasing demand for food intolerance (Figure 7). Gluten-free pasta has seen the greatest development with a value sales increase of 7 percent. The average unit price of products has also increased in 2014. There has also been a steady rise of cases of coeliac disease, lactose, and diabetes.

Figure 8: Sales of Food Intolerance by Category: Value 2009-2014 (Thousands of US Dollars)



Source: Euromonitor

Even without such dietary problems, consumers have started to go to these products because they are viewed as healthier. The increased awareness for food intolerance has brought a more product choices and distribution. Consumers growing preference to consume gluten-free products can also be attributed to the media’s coverage, which in can lead to some consumers self-diagnosing themselves as gluten intolerant. Many that buy this product do not have an actual medical reason. On the other hand, 30 percent of the Portuguese population is lactose intolerant.

SECTOR III GROCERY RETAIL SECTOR

The majority of the Portuguese grocery retail sector was negatively affected by the economic crisis.

Families went from spending money on unnecessary items to reducing their spending and being more sensitive to promotional campaigns. This had a severe impact on the grocery retail sectors value sales.

Despite a slight recovery in mid-2013, unit price and product affordability continued to dominate consumers. Values sales grew to 19 percent due to an increase in promotional items, including promotions on fresh produce. Consumers also began to use their loyalty card more often since promotional items would be made available through its use.

The economic crisis has led Portuguese consumers to prefer close proximity retail outlets. These

outlets tend to be smaller and provide fewer items to purchase. Seeing the increased popularity in small retail stores, main grocery retailers reviewed their plans to expand in hypermarkets and large supermarkets. Instead, they invested in smaller retail stores which allowed them to expand to town centers where shoppers wish to save on time and fuel.

Supermarkets increased their value sales by 4 percent to €11.4 billion, outperforming hypermarkets and discount stores. Supermarkets belong to large grocery retailers and are able to benefit from economies of scale and integrated negotiations with suppliers. Opening these retail outlets in cities gives grocery retailers the ability to expand their retail network.

Hypermarkets performed poorly with only a 1 percent increase due to the growing competition from supermarkets and discount stores. Due the consumers desire to avoid unnecessary expenses, many of them avoid driving to hypermarkets as a means of saving gas money.

Discount stores are seen as a place to pick up a few items but not for weekly shopping trips, but this may change as discount stores begin to add fresh produce. Online sales have also grown due to an increase of women in the work force, as well as an increase in smartphones and tablets.

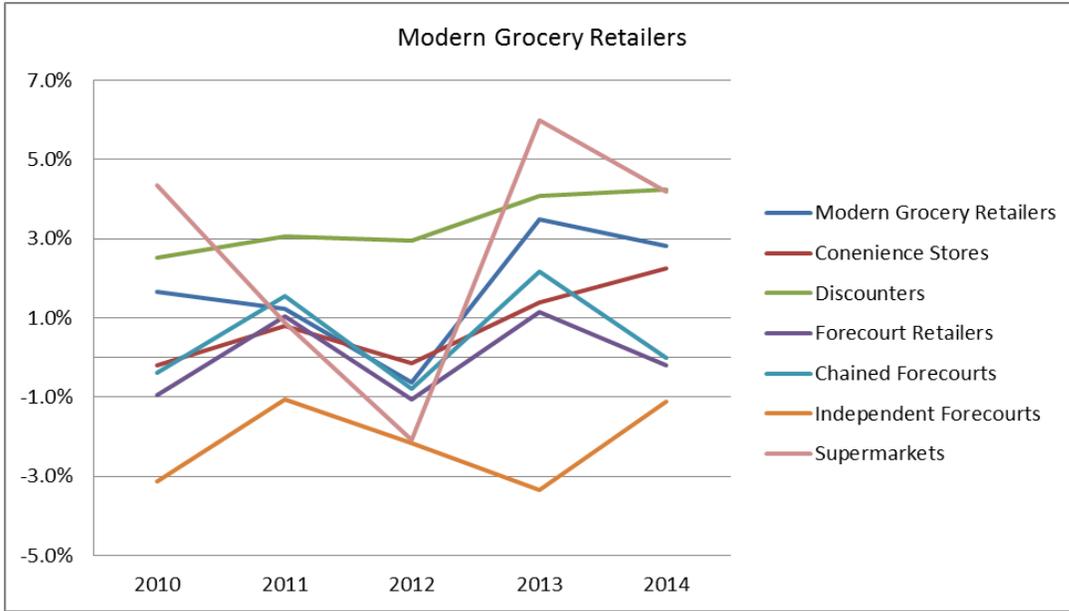
Traditional vs Modern

Modern grocery retailers dominate the retail channel with 84 percent of total retail value shares (Table 3). However, traditional grocery retail stores remain in the lead in the number of outlets. Traditional retail stores account for 84 percent of retail outlets, but only generate 16percent of overall value sales (Table 3). The pronounced discrepancy between modern and traditional grocery retailers is due to the continuous difficulties faced by small-to-medium sized enterprises. Portuguese banks have reduced access to commercial credit for smaller businesses.

Food/tobacco/drink specialist remained the most widely spread channels within traditional grocery retailers. The highest concentration of these retail outlets is in the urban and suburban areas. However, with an expansion of multinational retailers there has been a contraction of food, drink, and tobacco retailers of 2 percent with specialty outlets declining from 19,000 to 15,000 stores in a five year span (2009-2014) (Table 4). In 2012, butcher shops, fishmongers, and greengrocers led the food/drink/tobacco specialty shops. Traditional retailers have attempted to maintain sales by extending opening hours and emphasizing personalized service in order to increase their competitiveness. However, government support for traditional retailers remains limited.

Figure 9: Percent Growth Change Modern Grocery Retailers 2010-2014

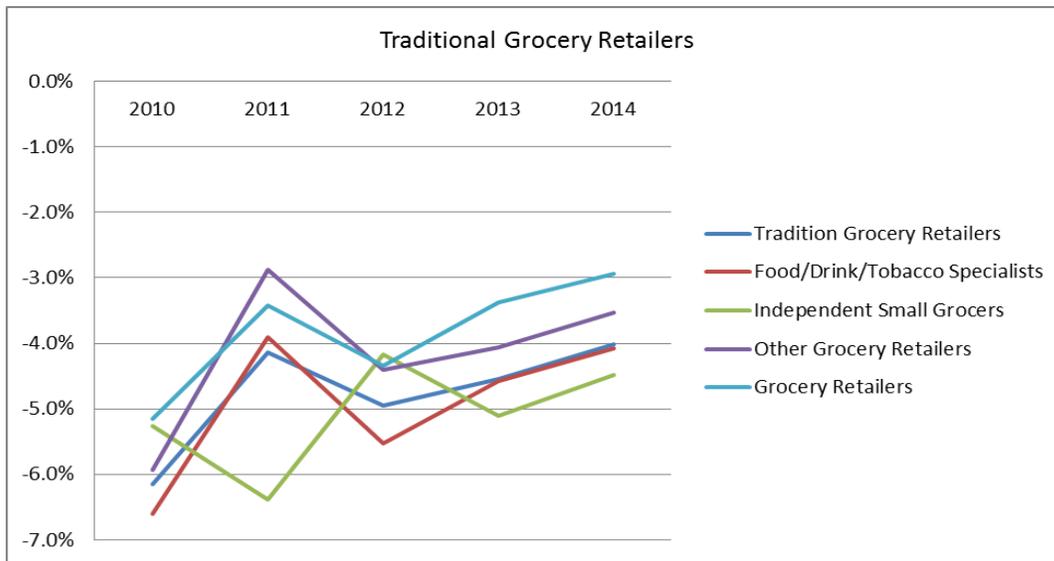
10:



Source: Euromonitor

**Figure
Percent
Growth
Change**

Traditional Grocery Retailers 2010-2014



Source: Euromonitor

The most important factor influencing the growth of the grocery retail sector is the evolution of the Portuguese economy as well as the anticipated growth of private consumption. A high unemployment rate, an increase in VAT to 23.25 percent, and the expected increase in social security contributions all undermine consumer confidence, which causes a continuation of increased savings rate.

Table 3: Sales in Grocery Retailers by Channel: Value in Million US Dollars 2009-2014

	2009	2010	2011	2012	2013	2014
Modern Grocery Retailers	20,111.0	20,457.7	20,571.9	20,281.5	21,264.4	21,848.0

Convenience Stores	466.3	478.7	484.1	476.5	491.7	501.3
Discounters	2,567.9	2,551.9	2,630.2	2,653.6	2,717.8	2,758.9
Forecourt Retailers	315.7	312.3	316.6	302.0	298.4	294.5
Chained Forecourts	258.0	255.3	260.3	248.1	246.3	243.5
Independent Forecourts	57.7	57.0	56.2	53.9	52.1	51.1
Hypermarkets	4,595.9	4,686.6	4,582.4	4,313.1	4,328.7	4,360.4
Supermarkets	11,799.1	12,427.9	12,558.8	12,536.4	13,427.8	13,932.9
Traditional Grocery Retailers	4,867.1	4,711.9	4,556.5	4,356.4	4,203.1	4,102.5
Food/Drink/Tobacco Specialists	2,778.9	2,677.3	2,601.4	2,482.8	2,384.0	2,321.5
Independent Small Grocers	1,322.1	1,295.6	1,248.4	1,191.8	1,153.3	1,124.7
Other Grocery Retailers	766.2	739.0	706.5	681.9	665.9	656.4
Grocery Retailers	24,612.2	25,169.6	25,128.5	24,637.9	25,467.5	25,950.5

Source: Euromonitor

Table 4: Grocery Retailers Outlets by Channel: Units 2009-2014

Outlets	2009	2010	2011	2012	2013	2014
Modern Grocery						

Retailers	4,939.0	5,022.0	5,085.0	5,053.0	5,235.0	5,386.0
Convenience Stores	1,486.0	1,483.0	1,495.0	1,493.0	1,514.0	1,549.0
Discounters	774.0	794.0	819.0	844.0	880.0	919.0
Forecourt Retailers	958.0	949.0	959.0	949.0	960.0	958.0
Chained Forecourts	760.0	757.0	769.0	763.0	780.0	780.0
Independent Forecourts	198.0	192.0	190.0	186.0	180.0	178.0
Hypermarkets	92.0	93.0	64.0	90.0	91.0	92.0
Supermarkets	1,629.0	1,703.0	1,718.0	1,683.0	1,790.0	1,868.0
Tradition Grocery Retailers	36,532.0	34,416.0	33,049.0	31,490.0	30,122.0	28,960.0
Food/Drink/Tobacco Specialists	19,390.0	18,189.0	17,505.0	16,587.0	15,862.0	15,240.0
Independent Small Grocers	7,546.0	7,169.0	6,739.0	6,469.0	6,155.0	5,891.0
Other Grocery Retailers	9,596.0	9,058.0	8,805.0	8,434.0	8,105.0	7,829.0
Grocery Retailers	41,471.0	39,438.0	38,134.0	36,549.0	35,357.0	34,346.0

Source: Euromonitor

Supermarkets will continue to be a leader in grocery retailing, continuing their investment in smaller outlets. On the other hand discount stores are to have less robust sales since unit prices are to remain a main factor driving the purchasing decision. Hypermarkets will probably face high competition from other grocery retailers. Consumers' reluctance to drive to a hypermarket outside the city may deter sales.

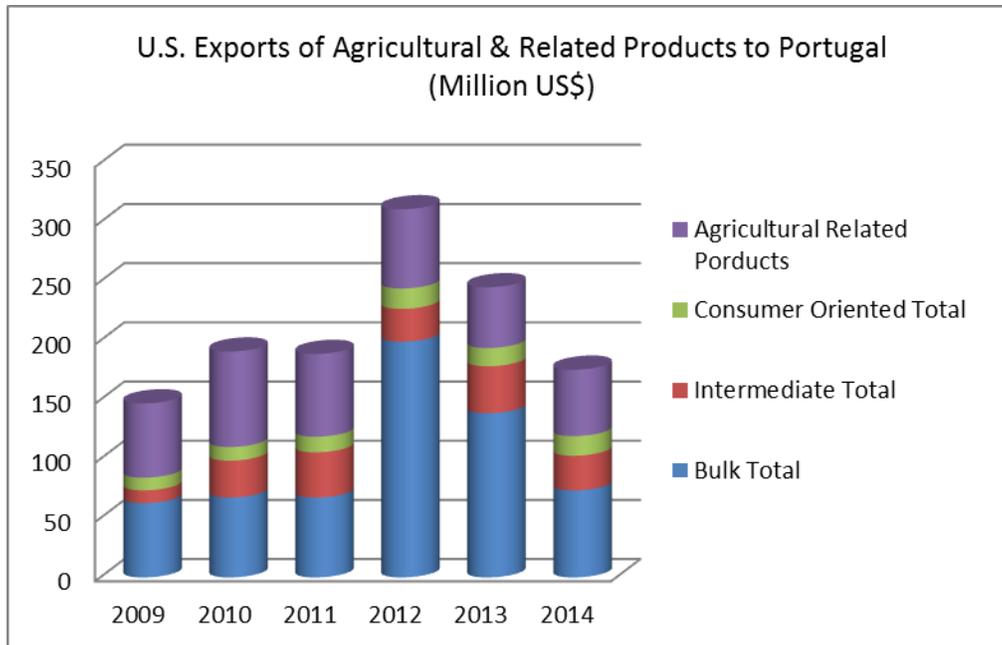
Sales through modern retailers like supermarkets and convenience stores are expected to generate €23 billion in sales by 2019. Their popularity is expected to continue growing due to the increasing range of products at competitive prices in a convenient location. All of this may have a negative impact on traditional grocers.

SECTION V BEST PRODUCT PROSPECTS

Bulk products are of most importance in valued imports to Portugal since the country continually has a deficit of cereals and protein crop products (Figure 10). The main way bulk commodities enter the

Portuguese market is through trading companies based in the Iberian Peninsula. Even though feed production is not expected to grow in the near future, Portugal will continue to import grain. However, U.S. corn exports are limited due to EU GMO restrictions. Therefore, wheat, coarse grains, and products of the soybean complex will continue to be one of the most important U.S. exports to Portugal (Table 5). As the table shows, soybeans have over 65 percent of the value share of total bulk items followed by corn.

Figure 11: U.S. Exports of Agricultural & Related Products to Portugal (Million US Dollar)



Source: FAS-Bico

Table 5: U.S. Exports of Bulk Total Products to Portugal in Million US Dollar (2009-2014)

	January-December					
	2009	2010	2011	2012	2013	2014

Product	Value	Value	Value	Value	Value	Value
Bulk Total	62.7	67.5	199.2	138.7	73.5	283.1
Wheat	8.4	18.9	9.7	6.0	19.8	0.0
Corn	0.0	3.7	94.7	0.0	0.0	72.5
Coarse Grains (ex. Corn)	0.0	0.0	0.0	0.0	0.0	0.0
Rice	0.0	0.0	0.0	0.0	0.0	0.1
Soybeans	8.9	13.6	55.0	87.1	19.6	184.9
Oilseed (ex. Soybean)	0.2	0.1	0.0	11.9	0.0	0.0
Cotton	0.4	0.7	3.9	0.8	0.5	0.4
Pulses	1.4	1.4	1.7	4.9	6.8	12.2
Tobacco	42.6	27.5	32.5	25.4	24.5	12.2
Other Bulk Commodities	0.7	1.5	1.7	2.4	2.4	0.8

Source: FAS-Bico

Fish products are a promising product to export to Portugal given that the country has one of the highest per capita consumption levels of fish in the world, and its relationship with cod is engrained in the country's history and culture. U.S. seafood products are highly rated in Portugal, and products such as cod, pollock, and salmon are some of the best-selling products in 2014.

Table 6: U.S. Exports of Bulk Total Products to Portugal in Million US Dollar (2009-2014)

Product	January-December					
	2009	2010	2011	2012	2013	2014
	Value	Value	Value	Value	Value	Value
Agricultural Related Products	62.7	80.6	69.9	66.9	51.3	56.1
Distilled Spirits	1.5	1.0	1.2	1.2	1.6	1.9
Ethanol (non-bev.)	0	0.0	0.0	0.0	0.0	0.0
Forest Products	37.4	40.7	32.1	26.9	30.4	34.2
Fish Products	23.7	38.9	36.6	38.9	19.2	20.1

Source: FAS-Bico

As shown by Table 7, tree nuts are one of the most valuable U.S. exports to Portugal, with higher than 50 percent of all consumer products exported by the U.S. U.S. exports to Portugal are led by almonds, followed by pistachios and walnuts. The category of prepared foods declined 16 percent, possibly due to an increased desire by the Portuguese population to have fresh foods with fewer preservatives. On the other hand processed vegetables increased by 68 percent even though the purchase of canned foods has declined by 2 percent in Portugal.

Table 7: U.S. Exports of Consumer Oriented Total Products to Portugal in Million US Dollar (2009-2014)

	January-December					
	2009	2010	2011	2012	2013	2014

Product	Value	Value	Value	Value	Value	Value
Consumer Oriented Total	10.7	11.5	13.2	17.2	15.4	16.6
Beef & Beef Products	0.1	0.0	0.2	0.3	0.0	0.0
Pork & Pork Products	0.2	0.0	0.1	0.0	0.0	0.0
Poultry Meat & Prods (ex. eggs)	0.0	0.0	0.0	0.0	0.0	0.0
Meat Products NESOI	0.0	0.0	0.0	0.0	0.0	0.0
Eggs & Products	0.0	0.0	0.0	0.1	0.0	0.0
Dairy Products	0.2	0.1	0.1	0.1	0.1	0.1
Fresh Fruit	0.0	0.0	0.0	0.1	0.0	0.0
Processed Fruit	0.0	0.0	0.2	0.0	0.0	0.0
Fresh Vegetables	0.0	0.0	0.1	0.0	0.0	0.0
Processed Vegetables	0.1	0.1	0.1	5.4	1.6	2.7
Fruit & Vegetable Juices	0.5	0.1	0.1	0.1	0.1	0.0
Tree Nuts	5.6	6.5	8.2	5.0	7.5	7.8
Chocolate & Cocoa Products	0.2	0.3	0.3	0.5	0.3	0.2
Snack Foods NESOI	0.6	0.6	0.4	0.2	0.5	0.3
Breakfast Cereals	0.0	0.0	0.0	0.0	0.0	0.0
Condiments & Sauces	0.4	0.5	0.5	0.6	0.6	0.7
Prepared Food	2.5	2.6	2.0	4.0	3.6	3.0
Wine & Beer	0.0	0.0	0.3	0.0	0.0	0.1
Non-Alcoholic Bev. (ex. juices)	0.2	0.4	0.2	0.3	0.1	0.4
Dog & Cat Food	0.0	0.1	0.4	0.5	0.5	0.3
Other Consumer Oriented	0.1	0.0	0.1	0.1	0.2	0.4

Source: FAS-Bico

SECTION VI BEST PRODUCT PROSPECTS

Products present in the market that have good sales potential

- Tree nuts
- Pulses
- Soybeans
- Fish products
- Processed vegetables
- Corn

Products not present in significant quantities but which have good sales potential

- Wine & beer
- Distilled spirits
- Non-alcoholic beverages
- Condiments and sauces

Products not present because they face significant barriers

- Beef and beef products
- Pork and pork products
- Poultry meat and produce (ex. eggs)
- Fresh fruit
- Fresh vegetables
- Breakfast cereal

SECTION VII PORTUGUESE ECONOMIC POLICY

Overall, U.S. exporting companies who are wishing to introduce their products to the Portuguese market may face some challenges, but none that cannot be overcome. As consumer confidence continues to grow, an increase in consumer spending will eventually follow. The increased desire in purchasing products that have been prepared with local produce may also be another challenge.

However, with the new trends that emerged during the recession—such as the use of fresh produce, home cooking, and increase in food intolerance among others—U.S. exporting companies will need to adjust and develop their products in order to be successful.

Market entry looks promising in areas such as products geared towards people with food intolerance, as well as organic food products. Ready meals that are produced with organic products may have good sales potential. The packaging of the product will play an important role in its sales since Portuguese consumers are looking for packaging that can be resealed and allows the product to stay fresh longer.

Greater transparency in nutrition information will also be a key to the products success, along with the products development and mass media advertising.

On November 12th, 2014, Portugal received its final disbursement of \$488 million under the European Financial Stability Mechanism (EFSM). The Portuguese government decided to discontinue the Program, forgoing the full amount of the assistance, requesting only \$30 billion of the \$32 billion allotted. The three year Economic Adjustment Program, exited by Portugal on June 2014, contained reforms to promote growth and jobs, fiscal measures to reduce the public debt and deficit, and measures to ensure the stability of the country's financial sector.

Portugal has now entered a post-Program surveillance (PPS) in which the country will remain until at least 75 percent of the financial assistance received has been repaid. Surveillance may continue at least until 2026. The objective of PPS is ultimately to measure Portugal's capacity to repay its outstanding loans to the EFSM and European Financial Stability Facility (EFSF). Under PPS, the European Commission (EC), in liaison with the European Central bank (ECB), will launch regular review missions to the Member State to analyze economic, fiscal and financial developments; and report semi-annual assessments which may recommend further measures when necessary.

SECTION VIII CONCLUDING REMARKS

In the near collapse of the Portuguese economy during the country's economic crisis, the packaged food industry went through a period of intense volatility and uncertainty. Facing uncertainty and a tighter budget, consumers began to reduce spending as a means of cutting costs. An increase in consumers with less time to go grocery shopping has allowed supermarkets to invest more in neighborhood outlets, which are not only convenient for consumers, but keep consumers from spending on unnecessary items. Online grocery shopping has also increased due to a growing number of women in the work force, as well as the greater use of smartphones and tablets.

Consumer budget cuts have caused home cooking to become more popular, a factor that has contributed to the promotion of fresh foods and healthy eating. The Portuguese consumer is not only looking for quality in their fresh foods, but also for low prices. The increased popularity of fresh foods has negatively impacted frozen processed food as well as canned/preserved food. Consumer food service has also been negatively impacted, with Portuguese people only going out to a restaurant for special occasions.

Even though Consumer confidence after Portugal's recent financial crisis has recovered considerably since 2011-12, it still has a long road to travel before reaching its early 2000s boom level. The general situation in Portugal is expected to remain challenging with consumers facing consistent financial pressure. Nevertheless, consumer confidence continues to increase as unemployment rates are forecast to decrease in the following years.

The continued economic challenge in Portugal has provided an opportunity for companies to innovate their product portfolio as there is greater competition than in previous years. Packaging has become very important for consumers as they wish to have the products they buy remain fresh for a longer period of time. Transparency in nutrition information will also be of significant importance as food intolerance continues to grow in the Portuguese population.

SECTION IX POST CONTACT AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Portugal, please contact the Office of Agricultural Affairs in Madrid at the following address:

Foreign Agricultural Service

American Embassy, Madrid
PSC 61, Box 20 C/Serrano, 75
APO AE 09642 28006 Madrid
Tel: +34-91 587 2555 Spain
Fax: +34-91 587 2556
Email: AgMadrid@usda.gov
<http://spanish.madrid.usembassy.gov/>

Please consult our home page for more information on exporting U.S. food products to Portugal. Importer lists are also available from our office to exporters of U.S. food products. A list of trade

associations and useful government agencies is provided below:

Trade Associations

APED-Associação Portuguesa de Empresas de Distribuição

(Portuguese Association of Distribution Companies)

R. Alexandre Herculano, 23

1250-008 Lisboa

Tel: +351-21-751-0920

Fax: +351-21-757-1952

www.aped.pt

AHRESP- Associação da Hotelaria, Restauração e Similares de Portugal

(Portuguese Associations for HRIs Sector)

Av. Duque d'Avila, 75

1049-011 Lisboa

Tel: +351-21-351-7060

Fax: +351-21-354-9428

Email: ahresp@ahresp.com

<http://www.ahresp.com/>

FIPA- Federação das Indústrias Portuguesas Agro-Alimentares

(Federation of the Agro-Food Portuguese Industries)

Av. De António José de Almeida, 7

1000 Lisboa

Tel: +351-21-793-8679

Fax: +351-21-793-8537

Email: info@fipa.pt

www.fipa.pt

Government Agencies ASAE - Autoridade da Segurança Alimentar e Económica

(Food Safety and Economic Authority)

R. Rodrigo da Fonseca, 73

1269-274 Lisboa

Tel. +351-217 983 600

Fax: +351-217 983 654

Email: correio.asae@asae.pt

www.asae.pt

Direcção Geral da Alfandega e Dos Impostos Especiais sobre o Consumo

(General Directorate for Customs and Special Taxation on Consumption)

Rua da Alfandega, No. 5 r/c

1149-006 Lisboa

Tel. +351-218813700

Fax: +351-218813990

Email: at@at.gov.pt

www.portaldasfinancas.gov.pt/at/html/index.html

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page at www.fas.usda.gov